45th Annual Report

Dominion Stores Limited

Fiscal year ended March 20th, 1965

Contents

Version française

On peut obtenir un exemplaire français du présent Rapport annuel en s'adressant au Secrétaire de la Compagnie, 605 Rogers Road, Toronto 15, Ontario.

Auditors

McDonald, Currie & Co., Toronto

Bankers

Bank of Montreal
Banque Canadienne Nationale
Banque Provinciale du Canada
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Royal Bank of Canada
The Toronto-Dominion Bank

Transfer Agents

Crown Trust Company,
Toronto, Montreal and Vancouver

The Eastern & Chartered Trust Company,
Halifax and Saint John

Bankers Trust Company, New York

Registrars

Crown Trust Company,
Toronto, Montreal and Vancouver

The Eastern & Chartered Trust Company,
Halifax and Saint John

Bankers Trust Company, New York

The Annual Meeting of Shareholders will be held at the Head Office of the Company, 605 Rogers Road, Toronto, on Tuesday, the 22nd day of June, 1965, at the hour of 12:00 o'clock noon.

Comparative Highlights

	For the Year Ended March 20th, 1965 (52 Weeks)	For the Year Ended March 21st, 1964 (52 Weeks)
Net Profit	**$10,077,827**	$ 9,326,127
per dollar of sales	**2.07¢**	2.03¢
per share of common stock	**$ 1.25**	$ 1.15
Dividends	**$ 5,153,811**	$ 4,025,043
per share of common stock	**64¢**	50¢
Sales (*An increase of $28,389,319 or 6.18%*)	**$487,735,081**	$459,345,762
Working Capital	**$ 24,691,271**	$ 27,127,957
Ratio of Current Assets to Current Liabilities	**2.24**	2.33
Total Reinvested Earnings	**$ 46,482,202**	$ 41,558,186
Shareholders' Equity	**$ 61,872,813**	$ 56,780,135
Number of Stores at End of Year	**380**	368

Dominion Stores Limited

Incorporated under the laws of Canada

Head Office:

605 Rogers Road,
Toronto 15

District Offices:

St. John's, Nfld.
Halifax, N.S.
Saint John, N.B.
Quebec, Que.
Montreal, Que.
Ottawa, Ont.
Toronto, Ont.
Hamilton, Ont.
London, Ont.
Winnipeg, Man.
Calgary, Alta.
Vancouver, B.C.

Directors

*JOHN A. McDOUGALD
Chairman of the Board and Chairman, Executive Committee

LEWIS H. M. AYRE
*STEWART G. BENNETT
*GEORGE M. BLACK, JR.
*ROBERT F. CHISHOLM
PIERRE PAUL DAIGLE
*MAJ.-GEN. A. BRUCE MATTHEWS
HON. GERALD MARTINEAU
*THOMAS G. McCORMACK
COL. MAXWELL C. G. MEIGHEN
†*LT.-COL. W. ERIC PHILLIPS
*E. P. TAYLOR

**Executive Committee* *†Deceased December 26, 1964*

Corporate Management

THOMAS G. McCORMACK
President and Chief Executive Officer

A. A. J. LEWIS
Vice-President, Operations

R. F. CHISHOLM
Executive Vice-President

IVOR CRIMP
Vice-President, Merchandising

A. A. BEEVOR
Vice-President and Treasurer

J. SCOTT FEGGANS
Vice-President, Advertising and Public Relations

N. H. SHAW, Q.C.
Vice-President and Secretary

JEAN F. CARROLL
Vice-President

JOSEPH VOIGT
Executive Director of Purchasing

E. CLIFFORD WENT
Vice-President, Personnel and Labour Relations

Divisional Operation Management

W. FRANK CAPSTICK
Division Manager, Ontario

THOMAS THOMSON
Division Manager, Ontario

RUSSELL L. NETHERTON
Division Manager, Quebec

ROBERT H. JARDINE
Division Manager, Atlantic Provinces

District Operation Management

HAROLD TAYLOR
Vancouver, B.C.

CHALMERS H. LONG
Northern Ontario

JACK WRIGHT
Toronto, Ontario

RÉAL BROUILLETTE
Quebec, Que.

WM. WADDINGTON
Calgary, Alta.

ALLEN C. JACKSON
London, Ontario

RONALD C. HYNE
Ottawa, Ontario

P. A. MONTFORD
Saint John, N.B.

JOHN I. QUINN
Winnipeg, Manitoba

CHARLES T. E. HALSEY
Hamilton, Ontario

ALBERT DAVID
Montreal, Quebec

JAMES F. EARLE
Halifax, N.S.

HARTLEY ST. J. AYRE
St. John's, Newfoundland

Special Operations

STANLEY P. GIBSON
Manager, General Merchandise

THOMAS G. BOLTON
Manager, Research

JAN GORECKI
Manager, In-Store Bakeries

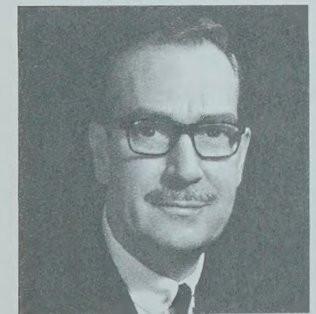
WILLIAM HALLETT, *Manager*
Toronto Distribution Plant

JULES LAMONTAGNE
Manager, Services, Montreal

HAROLD F. McGILLIS, *Manager*
Montreal Distribution Plant

Annual Report

JOHN A. McDOUGALD



THOMAS G. McCORMACK

To Our Shareholders:

During the fiscal year that ended at the close of business on March 20, 1965, economic conditions across Canada were reasonably good, with high employment levels in most areas, record national income, substantial urban population growth, and a higher than average rate of new family formations.

As is inevitable in such a buoyant atmosphere, competition in the supermarket industry accelerated considerably. More than 100 new supermarkets were opened by competitors across the nation, and intensive promotional and price competition prevailed.

Your Company more than held its own in the continuing struggle for a fair share of the growing Canadian market, ringing up sales increases in some months that were more than double the industry rate of growth as reported by the Bureau of Statistics. Overall, your Company's sales growth exceeded the industry substantially, and the year-end sales total set a new record for the twenty-fourth consecutive year.

As might also be expected under buoyant economic conditions, all costs of doing business rose. For example, higher municipal tax

rates were imposed in 122 of the 212 communities in which your Company operates, and in some cases increased assessments added further to our local tax bills. However, taxation and other expense increases were moderate when compared with the growth in labour costs, which was the largest in any single year of the Company's history.

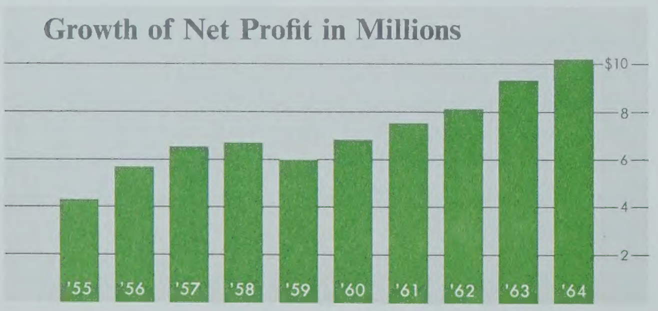
Despite intensified competition and rising expenses, your Company managed to retain a worthwhile portion of increased sales, and net profit after taxes exceeded $10 million for the first time.

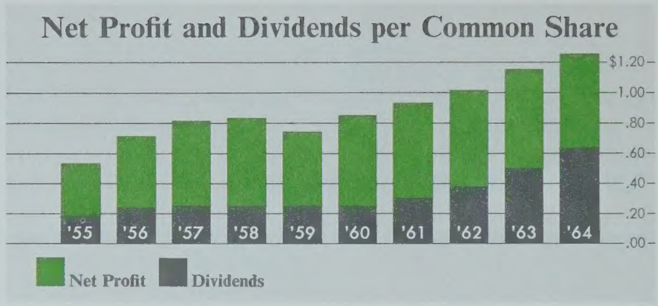
Earnings

After providing $10,880,000 for federal and provincial taxes on income, net profit for the fiscal year under review was $10,077,827, a new record for your Company, and an increase of $751,700 or 8.06% over the previous year's record of $9,326,127.

Net profit was equal to $1.25 per share compared with $1.15 the previous year, and represented 2.07 cents per dollar of sales, compared with 2.03 cents the previous year.

The earnings record of your Company over the past five years, in millions has been $6.8, $7.5, $8.1, $9.3 and $10.0, a steady pattern of progress for a highly competitive industry.



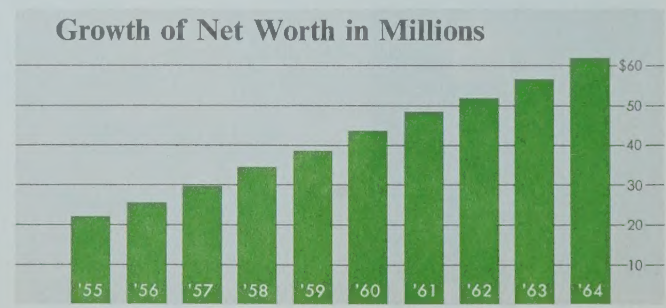


Dividends and Capital Stock

During the fiscal year under review, dividends paid to shareholders totalled a record $5,153,811 (64 cents per share), an increase of $1,128,768 over the previous year's record $4,025,043 (50 cents per share).

Over the past five years, dividends per share have been 25¢, 30¼¢, 38¢, 50¢ and 64¢, reflecting the upward trend of Company earnings.

Effective June 15, 1965, as recently announced, the new annual dividend rate will be 72¢ per share.



At the last annual meeting, on June 23, 1964, shareholders approved a plan for the granting of stock options to a broad range of management employees who bear direct responsibility for profitable operations. Under the plan, designated employees were granted the option to purchase specified numbers of common shares of the Company at the mean market price on the day on which the options were granted. Options are exercisable for a five-year period from June 23, 1964.

Of a maximum of 300,000 common shares reserved under the plan, options on 210,225 shares have been allotted to 408 employees. During the fiscal year just ended, options covering 8,329 shares were exercised at the option price for a cash consideration of $168,662.

Financial Resources

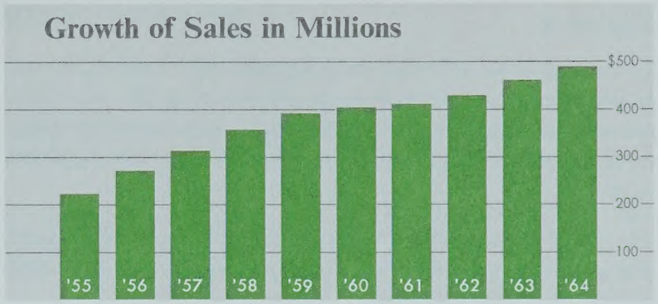
The financial position of your Company remains extremely strong, although cash and investments are down somewhat from a year ago as the result of an accelerated programme of new store construction.

Working capital at March 20, 1965, amounted to $24,691,271. Current assets of $44,542,642 were 2.24 times current liabilities and included cash and short-term investments of $14,933,350. Short-term investments include bank and trust company notes and certificates, prime finance company notes, Provincial and Provincial guaranteed notes and bonds, all maturing within one year.

Reinvested earnings at March 20, 1965, amounted to $46,482,202. Shareholders' equity, or net worth of the Company, was $61,872,813.

Sales

During the fiscal year under review, sales reached an all-time record of $487,735,081, an increase of $28,389,319, or 6.18% over the previous year's record $459,345,762. Average weekly sales climbed



from $8.8 million the previous year, to almost $9.4 million, an increase of more than half-a-million dollars per week.

The record of almost a quarter-century of constantly increasing sales totals might seem to suggest that Dominion has established an inviolable consumer franchise. Nothing could be farther from the truth, in the opinion of your management. Each of our regular customers has the day-to-day alternative of other convenient supermarkets and neighbourhood stores, and more are being opened constantly.

Few industries are as vulnerable to the inroads of aggressive competition, from week to week, as the supermarket business. New stores, new promotional techniques, new advertising appeals, price-cutting and other merchandising devices exert constant pressure upon the shopping public to deviate from its existing habit patterns.

Your Company believes that acceptance of its never-ending vulnerability is the key to continuing success. Customers must be deserved on a week-to-week, even day-to-day basis, through provision of a superior combination of friendly, courteous service, unexcelled quality, infinite variety, and fully competitive prices. On this premise, your Company is confident that it can continue to merit an ever-increasing share of a growing Canadian market.

Expenses

As touched upon in the opening paragraph of this report, the cost of doing business increased substantially during the year under review, as has been the case for many years. Virtually every expense category showed an increase, not only in dollars but also in relation to sales.

The cost of labour continued to lead all expenses in rate of increase. The increase in these costs was three times the increase in all other expense categories combined.

The vulnerability of our business to the inroads of competition necessitates constant study and aggressive action aimed at increased efficiency as a counter-balance to rising costs, in order to minimize their effect on prices to the public, without reduction of the standards of service which the public demands.

As a service business, our operations do not lend themselves to automation in the same overall sense as is the case in many manufacturing industries. However, the analysis of every individual function in relation to the total, has shown many areas where a great potential for increased productivity exists. Some of these have been implemented, and further progress in this regard is anticipated in the future.

Recorded depreciation has been computed on a straight-line basis. For income tax purposes the company has claimed the maximum permitted under income tax regulations. As a result, the liability for taxes on income for the year has been reduced by $363,000 and provision for this amount, which may be applicable to future years, has been included on the balance sheet under the heading "Provision for Future Income Taxes".

In the ordinary course of business, leases are entered into for varying terms. Under these leases, the aggregate minimum rental liability (exclusive of real estate taxes, maintenance and insurance) is:

Expiring within 10 years	$ 5,133,678
Expiring from 10 to 15 years	5,353,025
Expiring from 15 to 20 years	30,725,957
Expiring from 20 to 25 years	31,636,480
Expiring beyond 25 years	10,688,678

The minimum annual rentals payable under such leases are $8,395,257.

Planned Development

With your Company's widespread base of operation across all ten provinces, it is possible to carry out an expansion programme that is highly selective at the local level, yet which combines to represent an impressive total of new stores across the nation.

For example, during the past fiscal year a total of twenty-nine new supermarkets were opened, in twenty different communities in six provinces. Eighteen of the new units were in shopping centre developments. Three of these were the new type of shopping centre combining a Dominion supermarket and a large semi-department store, usually under one roof. This new development in shopping convenience has won quick public acceptance.

Concurrent with new store development, your Company maintains a constant programme of modernization of existing stores. During the fiscal year under review, twenty-six units were brought to new store standards of efficiency, decor and customer convenience.

Seventeen stores were closed, mostly small units, and some being replaced by nearby large, modern markets.

At year-end, 380 stores were in operation, compared with 368 at the close of the previous fiscal year.

Continuing studies of population growth and movement are maintained in all urban centres across Canada, including many in which

your Company is not now represented. These studies indicate ample scope for continued expansion on a very discriminating basis, yet aggregating a substantial chain-wide total of new stores. At the conclusion of the past fiscal year, sixty-two new stores were in various stages of development or negotiation. It is anticipated that about thirty-seven of these will be brought into service during the current fiscal year.

Personnel

In the past fiscal year, as previously noted, your Company opened 29 new stores. Each one required an additional store manager and five additional department heads — grocery, meat, produce, general merchandise and head cashier. A proportionate number of additional supervisors, buyers, merchandisers and other specialists were required at the District and Head Office levels.

Long before each new store is built, steps must be taken to train qualified people to staff and manage it. Your Company's continuing "Employee Development Programme" has been of inestimable value in providing a constantly maturing crop of experienced, able, reliable and ambitious people, to meet the needs of expansion.

Long-term development extends far beyond on-the-job training. Every year, a group of key people are sent to university management courses. In the past year, more than 100 have attended various courses, seminars and conferences, to broaden their knowledge. Practically all store managers and superintendents have attended Management Workshops. Fifteen of our young people are working toward accountancy degrees. Three hundred and fifty store personnel are currently enrolled in the N.A.F.C.-Cornell University correspondence course.

All 3,500 Dominion cashiers have been trained at our Cashier Training Schools. Cashiers thus scientifically trained not only work faster and more accurately, but also more confidently and comfortably, without undue tension even at peak periods.

Board of Directors

At the last annual meeting, on June 23, 1964, Colonel Maxwell Meighen, O.B.E., B.A.Sc., was elected to the Board of Directors. Son of a former Prime Minister of Canada, Colonel Meighen is a prominent financier and director of a number of Canadian companies.

We deeply regret the loss from the Board of Lt.-Col. W. Eric Phillips, who passed away December 26, 1964. (See special tribute on Page 12.)

Annual Meeting

The Annual Meeting of Shareholders will be held at the Head Office of the Company, 605 Rogers Road, Toronto, on Tuesday, the twenty-second day of June, 1965, at the hour of 12 o'clock noon.

In Appreciation

In concluding this report, your Board of Directors extends its deep appreciation to employees for their dedicated service, to suppliers for their co-operation and support, to shareholders for their confidence and good-will, and to customers, old and new, whose patronage made another successful year of operations possible.

For the Board of Directors,

JOHN A. McDOUGALD,

Chairman of the Board

THOMAS G. McCORMACK,

President

Auditors' Report

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

100 University Avenue,
Toronto.

We have examined the consolidated balance sheet of Dominion Stores Limited and its subsidiaries as at March 20th, 1965 and the consolidated statements of income and expenditure, and source and use of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of income and expenditure, and source and use of funds are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at March 20th, 1965 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.

April 15th, 1965. Chartered Accountants

Consolidated Balance Shee

Assets

	March 20th 1965	March 21st 1964
CURRENT:		
Cash	$ 6,690,216	$ 5,428,847
Short term investments—at cost, which approximates market value	8,243,134	13,536,124
Accounts receivable	396,946	865,977
Mortgages receivable	777,996	403,311
Merchandise — valued at the lower of cost and market	26,964,645	25,942,870
Prepaid expenses	1,469,705	1,371,988
Total current assets	44,542,642	47,549,117
MORTGAGES RECEIVABLE	304,467	666,401
FIXED—at cost:		
Store, warehouse and office equipment	58,445,371	51,718,596
Buildings	17,222,853	14,480,319
	75,668,224	66,198,915
Accumulated depreciation	32,309,162	29,617,352
	43,359,062	36,581,563
Land	9,603,013	8,656,214
Net fixed assets	52,962,075	45,237,777
	$97,809,184	$93,453,295

NOTES:

1. The total minimum rental liability under leases (including leases ending within five years, but excluding insurance and property taxes) amounts to $83,538,000. Minimum annual rentals payable under such leases are $8,395,000.
2. 300,000 unissued common shares have been reserved under an employees' stock option plan. During the year options, which expire in 1969, were granted to purchase 210,225 of such shares at $20.25 per share and of these, options covering 8,329 shares have been exercised.

s at March 20th, 1965

Liabilities

	March 20th 1965	March 21st 1964
CURRENT:		
Accounts payable and accrued expenses.........	$14,551,967	$14,454,940
Income and sundry taxes......................	5,299,404	5,966,220
Total current liabilities................	19,851,371	20,421,160
PROVISION FOR FUTURE INCOME TAXES	3,120,000	2,757,000
FUNDED DEBT:		
5% Redeemable Sinking Fund Debentures, Series A — maturing May 1st, 1972..........	2,060,000	2,060,000
4¼% Redeemable Sinking Fund Debentures, Series B — maturing November 1st, 1975.....	5,930,000	6,360,000
5½% Redeemable Sinking Fund Debentures, Series C — maturing December 1st, 1976......	4,975,000	5,075,000
	12,965,000	13,495,000
CAPITAL STOCK:		
Authorized — 20,000,000 common shares without nominal or par value		
Issued and fully paid —		
8,050,000 shares at March 21st, 1964.........	15,221,949	15,221,949
8,329 shares for cash during the year.....	168,662	—
8,058,329 shares at March 20th, 1965.........	15,390,611	15,221,949
REINVESTED EARNINGS:		
Balance at beginning of the year...............	41,558,186	36,257,102
Net profit for the year.......................	10,077,827	9,326,127
	51,636,013	45,583,229
Less: Dividends to shareholders................	5,153,811	4,025,043
Total reinvested earnings.................	46,482,202	41,558,186
Shareholders' equity.....................	61,872,813	56,780,135
	$97,809,184	$93,453,295

Approved on behalf of the Board —
JOHN A. McDOUGALD, THOMAS G. McCORMACK,
Directors

Distribution of Income

for the fiscal year ended March 20th, 1965

	$	%
Sales Total income increased 6.2% over the previous year, to............	**487,735,081**	**100.00**
Paid to Suppliers Purchases from farmers, producers, packers, manufacturers and other suppliers were increased 5.4% over the previous year, to............	**384,343,064**	**78.80**
Paid to Employees Salaries and other employee benefits were increased 10.8% over the previous year, to...............	**49,414,354**	**10.13**
Operational Costs Rents, local taxes, licenses, insurance, light, heat, water, telephone, laundry, maintenance, depreciation on buildings and equipment, advertising, debenture interest and other expenses, totalled................	**33,019,836**	**6.77**
Taxes on Income Taxes on income payable to Federal and Provincial Governments amounted to..................	**10,880,000**	**2.23**
Paid to Shareholders Equal to 64¢ per share, dividends to shareholders amounted to......	**5,153,811**	**1.06**
Reinvested in the Business The balance available from the year's operations to provide for continued development and for working capital requirements was..	**4,924,016**	**1.01**

Consolidated Statement of Income

Sales	....
Cost of Goods Sold	....
Expenses	Employees' salaries
	Rent, light, heat, maintenance......
	Other expenses, incl
	Depreciation on bu
	Business taxes, licen
	Interest expense..
	Interest earned....
	Executive remunera
	Directors' fees....
	Legal fees........
	Total expenses....
Profit Before Taxes on Income	....
Taxes on Income	....
Net Profit for the Year	....

and Expenditure

	For the years ended March 20th 1965 (52 weeks)	March 21st 1964 (52 weeks)
....	$487,735,081	$459,345,762
....	384,343,064	364,525,314
nd benefits..................	49,414,354	44,112,228
elephone, laundry, repairs and	16,477,664	15,841,928
ding advertising.............	8,765,992	8,649,149
dings and equipment.........	5,357,307	4,779,009
es and insurance.............	1,734,496	1,546,008
....	637,304	683,816
....	(535,796)	(798,884)
on.........................	506,919	497,789
....	58,375	37,125
....	17,575	21,153
....	82,434,190	75,369,321
....	20,957,827	19,451,127
....	10,880,000	10,125,000
....	$ 10,077,827	$ 9,326,127

Consolidated Balance S

Assets

	March 20th 1965	March 21st 1964
CURRENT:		
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2. 300,000 unissued common shares have been reserved under an employees' stock option plan. During the year options, which expire in 1969, were granted to purchase 210,225 of such shares at $20.25 per share and of these, options covering 8,329 shares have been exercised.

as at March 20th, 1965

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	12,965,000	13,495,000
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8,329 shares for cash during the year.....	168,662	—
8,058,329 shares at March 20th, 1965.........	15,390,611	15,221,949
REINVESTED EARNINGS:		
Balance at beginning of the year...............	41,558,186	36,257,102
Net profit for the year.......................	10,077,827	9,326,127
	51,636,013	45,583,229
Less: Dividends to shareholders................	5,153,811	4,025,043
Total reinvested earnings.................	46,482,202	41,558,186
Shareholders' equity.....................	61,872,813	56,780,135
	$97,809,184	$93,453,295

Approved on behalf of the Board —
JOHN A. McDOUGALD, THOMAS G. McCORMACK,
Directors

Consolidated Statement of Source an

Source of Funds

Net profit for the year.
Disposal of land, buildi
Non-cash expenses dedu
the year:
Depreciation on fix
Provision for future
Portion of mortgages
non-current. . . . .
Sale of 8,329 shares of c
option plan . . . .

Use of Funds

Investment in land, buil
Dividends paid to share
Reduction of long term

Resulting in a decrease

*Denotes increase

Use of Funds

	For the years ended March 20th 1965	March 21st 1964
. . . .	$10,077,827	$ 9,326,127
and equipment	2,923,193	1,461,734
d in arriving at profit for		
ssets	5,357,307	4,779,009
come taxes.	363,000	122,000
eivable transferred from		
. . . .	361,934	114,092
mon stock under the stock		
. . . .	168,662	—
	19,251,923	15,802,962
gs, and equipment	16,004,798	9,145,239
ders	5,153,811	4,025,043
bt	530,000	1,029,500
	21,688,609	14,199,782
vorking capital of.	$ 2,436,686	$ 1,603,180*

Ten Year Balance Sheet

(000 OMITTED)

	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955
ASSETS										
CURRENT:										
Cash and investments	$14,933	$18,965	$18,058	$18,301	$13,409	$10,254	$11,418	$ 6,690	$10,361	$ 9,238
Accounts receivable	1,175	1,269	741	815	949	847	834	578	754	416
Properties to be sold upon completion	—	—	—	—	787	6,580	7,783	7,520	10,002	2,876
Merchandise	26,965	25,943	23,551	21,535	21,459	17,040	18,267	16,542	13,442	10,979
Prepaid expenses	1,470	1,372	1,227	1,437	1,324	571	939	615	450	306
Total current assets	44,543	47,549	43,577	42,088	37,928	35,292	39,241	31,945	35,009	23,815
OTHER:										
Mortgages receivable	304	666	780	789	858	497	—	—	90	120
FIXED:										
Buildings, land and equipment, less depreciation	52,962	45,238	42,333	41,411	41,354	41,856	34,943	33,942	29,409	23,381
COST OF SHARES OF SUBSIDIARIES OVER THE NET BOOK VALUE THEREOF AT DATE OF PURCHASE	—	—	—	—	—	—	—	—	—	6,653
TOTAL ASSETS	$97,809	$93,453	$86,690	$84,288	$80,140	$77,645	$74,184	$65,887	$64,508	$53,969
LIABILITIES										
CURRENT:										
Accounts payable and accrued expenses	$14,552	$14,455	$12,106	$11,848	$11,899	$10,714	$10,007	$ 8,838	$ 8,212	$ 5,848
Amounts payable, properties under construction	—	—	—	—	25	3,064	4,034	1,432	5,130	2,085
Income and sundry taxes	5,299	5,966	5,946	4,948	4,381	4,007	3,858	3,658	3,527	2,518
Sinking fund instalments — current	—	—	—	—	191	320	320	110	175	310
Total current liabilities	19,851	20,421	18,052	16,796	16,496	18,105	18,219	14,038	17,044	10,761
OTHER:										
Provision for future income taxes	3,120	2,757	2,635	2,635	2,510	2,263	1,723	1,368	768	332
DEFERRED:										
5% Sinking Fund Debentures — Series A	2,060	2,060	2,339	2,690	3,287	3,530	3,740	3,950	4,160	4,370
4¼% Sinking Fund Debentures — Series B	5,930	6,360	6,790	7,650	8,080	8,510	8,940	9,370	9,800	9,900
5½% Sinking Fund Debentures — Series C	4,975	5,075	5,395	6,035	6,355	6,675	6,995	7,315	7,425	—
CAPITAL STOCK	15,391	15,222	15,222	15,222	15,222	15,222	15,222	15,222	15,222	15,222
REINVESTED EARNINGS	46,482	41,558	36,257	33,260	28,190	23,340	19,345	14,624	10,089	13,384
TOTAL LIABILITIES	$97,809	$93,453	$86,690	$84,288	$80,140	$77,645	$74,184	$65,887	$64,508	$53,969
WORKING CAPITAL	$24,692	$27,128	$25,525	$25,292	$21,432	$17,187	$21,022	$17,907	$17,965	$13,054
SHAREHOLDERS' EQUITY	$61,873	$56,780	$51,479	$48,482	$43,412	$38,562	$34,567	$29,846	$25,311	$21,953

Ten Year Statement of Income & Expenditure

(000 OMITTED)

	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955
SALES	$487,735	$459,346	$427,017	$408,173	$400,946	$388,405	$356,424	$311,686	$270,519	$219,736
EXPENSES:										
Employees' salaries and benefits	$ 49,921	$ 44,610	$ 40,922	$ 38,267	$ 36,801	$ 34,866	$ 30,630	$ 26,421	$ 21,869	$ 18,059
Rent, light, heat, telephone, laundry, repairs and maintenance	16,478	15,842	14,616	13,581	12,546	10,925	9,196	7,573	6,706	5,118
Other expenses, including advertising	8,824	8,686	7,825	7,043	6,567	6,299	4,591	3,501	3,348	2,504
Depreciation on buildings and equipment	5,357	4,779	4,556	4,412	4,257	3,732	3,235	2,748	2,137	1,796
Business taxes, licenses and insurance	1,735	1,546	1,469	1,480	1,427	1,356	1,184	992	768	672
Interest expense	637	684	749	813	899	959	1,040	1,072	786	502
Interest earned	(536)	(799)	(812)	(586)	(378)	(271)	(235)	(174)	(186)	(70)
Legal fees	18	21	20	19	26	19	22	9	16	20
Total expenses	$ 82,434	$ 75,369	$ 69,345	$ 65,029	$ 62,145	$ 57,885	$ 49,663	$ 42,142	$ 35,444	$ 28,601
PROFIT BEFORE TAXES ON INCOME	$ 20,958	$ 19,451	$ 16,733	$ 15,280	$ 14,362	$ 12,237	$ 13,259	$ 12,771	$ 11,434	$ 8,433
TAXES ON INCOME	10,880	10,125	8,601	7,775	7,500	6,230	6,525	6,223	5,711	3,938
NET PROFIT	$ 10,078	$ 9,326	$ 8,132	$ 7,505	$ 6,862	$ 6,007	$ 6,734	$ 6,548	$ 5,723	4,495
Deduct: Earnings of subsidiary prior to date of purchase										169
										$ 4,326
NET PROFIT PER SHARE	$1.25	$1.15	$1.01	$ .93	$ .85	$ .74	$ .83	$ .81	$ .71	$ .53
DIVIDENDS PER SHARE	64¢	50¢	38¢	30¼¢	25¢	25¢	25¢	25¢	23¾¢	19¢
Number of stores at end of year	380	368	363	355	358	351	342	334	326	304

LIEUT.-COL. W. ERIC PHILLIPS
C.B.E., D.S.O., M.C., B.A.Sc., LL.D.
1893-1964

W. Eric Phillips, a member of the Board of Directors of Dominion Stores Limited since 1945, and a member of the Executive Committee of the Board since 1954, died on December 26th.

Due to his life-long aversion to personal publicity, it was only after his death that the majority of Canadians learned of the great contribution Colonel Phillips had made to Canada, and to his fellow man, in diverse areas.

Worthy publicity has since been accorded to his conspicuous gallantry in the trenches of World War I, his dollar-a-year service as scientist and organizer of a vital war industry during World War II, his 20 years as Chairman of the Board of Governors of the University of Toronto during its greatest period of development, and his immense contribution to the economic growth of Canada as one of the nation's boldest and most successful industrialists.

The rare combination of mind, character and personality which produced Colonel Phillips' enviable record of service and achievement will be long remembered and greatly missed in the councils of Dominion Stores Limited.

The Aim

of Dominion Stores Limited
is to fulfil with ever-increasing efficiency
its responsibility as a distributor of food,
thereby performing a satisfactory service
to the consumer, producer, manufacturer
and processor; to discharge its
responsibility to shareholders whose
investment makes the company possible;
and to provide its employees with a
satisfactory living under the best
possible conditions.